

MOTION BY SUPERVISOR SHEILA KUEHL

November 15, 2016

Almost 30 years ago, acting on a motion by Los Angeles County Supervisor Michael D. Antonovich, the Auditor-Controller (A-C) established the County Fraud Hotline (Fraud Hotline), which provides a convenient and anonymous way to report suspected fraud, waste or misappropriation of County resources and other malfeasance, including criminal activities involving County employees, contractors and vendors. The Fraud Hotline program also facilitates investigations of instances where County data systems are used to commit identity theft, misuse of County assets, timecard fraud and hiring improprieties, among other issues.

The Fraud Hotline receives approximately 1,000 new reports of fraud each year, of which 20-30% are later determined to be substantiated and 30-40% are not substantiated, in many instances because insufficient information is provided to substantiate the suspected fraud. A similar percentage (30-40%) is not investigated, generally because they are duplicates of prior allegations or because they pertain to non-County entities. The majority of cases are referred by the A-C to the related County department for investigation, as the allegations are typically of a nature that is most appropriately addressed by them. Highly complex or high sensitivity cases, about 5% of

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the substantiated caseload, are investigated directly by the A-C's Office of County Investigations.

The Auditor-Controller reports on incoming and resolved Fraud Hotline cases to the Board of Supervisors every six months, including the overall disposition of each case (Substantiated, Not Substantiated, Not Investigated). For Substantiated cases, the report includes a case summary, findings and the department's recommendations for discipline and/or corrective action, which can include Letters of Reprimand, Suspension, Dismissal and/or referral for criminal prosecution, for the subjects of the investigation.

In the A-C's May 6, 2016 Semi-Annual Fraud Hotline report, computer misuse and personnel matters comprised 46% of the 138 closed, substantiated cases for the six month period ending on December 31, 2015. Four percent were for mismanagement, 3% were for theft, 2% were for falsification / forgery of County records and 7% were for other improprieties. Of the 138 closed cases, 15 employees resigned in lieu of discharge, five employees were formally reprimanded, two employees were discharged and in 56 other cases, disciplinary or corrective action was pending.

In the same report, the Auditor-Controller disclosed that the disciplinary actions for 79 Fraud Hotline cases with substantiated fraud and/or misconduct have been outstanding from between 195 and 1,143 days (3.1 years), with an average of 449 days. County managers report that, in many cases, the subjects of these investigations, knowing that discipline (or termination) is impending, file for stress, disability, medical or Worker's Compensation leave, which delays resolution of their cases indefinitely, or until they return from leave.

Allowing perpetrators of fraud and misconduct to escape discipline erodes trust in County management and the Fraud Hotline, undermines the County's internal discipline

process and discourages honest people from reporting additional cases of suspected fraud, misconduct and abuse.

I, THEREFORE, MOVE that the Board of Supervisors instruct County Counsel and the Director of Personnel, working with the Chief Executive Officer and the Auditor-Controller, to submit a memorandum to the Board and all County Department Directors in 60 days that includes a protocol for resolution of outstanding Fraud Hotline cases where discipline has been determined, but has not been implemented, because the subjects of the investigations have taken leave. The recommendations should seek to maintain the integrity of the County's disciplinary process and the due process and leave rights of the affected County employees.

I FURTHERMORE MOVE that the Board of Supervisors:

1. Instruct the Chief Executive Officer and the Director of Personnel, working with the Auditor-Controller and the directors of the departments of Children and Family Services, District Attorney, Fire District, Health Services, Internal Services, Mental Health, Parks & Recreation, Probation, Public Health, Public Library and Public Social Services, to submit a report in 120 days that includes a plan and a timeline to resolve each of the 79 substantiated, but not yet resolved Fraud Hotline cases identified in the Auditor-Controller's May 6, 2016 Semi-Annual Fraud Hotline Status Report. The report and plan shall include any new cases identified in June 30, 2016, Fraud Hotline Status Report, which is expected in December of 2016.
2. Instruct the directors of the 23 departments listed in Attachment V of the May 6, 2016, Semi-Annual Fraud Hotline Status Report (which lists 322 Fraud Hotline Complaints that have been open for more than one year, but not yet fully

investigated) to submit a report to the Auditor-Controller in 180 days that includes the final resolution of each case listed. Departments should proceed to investigate each case, as appropriate, with all due speed and care.

- a. The Auditor-Controller and the Director of Personnel should assist departments in prioritizing cases for review and should provide technical assistance to develop standardized, rigorous investigative protocols for these and future cases.
 - b. The Auditor-Controller should submit a report to the Board in 210 days that summarizes the results of these 322 investigations, and should integrate the results of these 322 investigations, as they are resolved, in its semi-annual reports to the Board.
3. Instruct the Director of Personnel, the Chief Executive Officer, County Counsel and Auditor-Controller to review existing County investigative and disciplinary policies and to report back on any recommended revisions that would allow the departments to improve the timeliness of completing investigations and imposing any appropriate disciplinary action, in a manner consistent with applicable law and sound employee management principles.